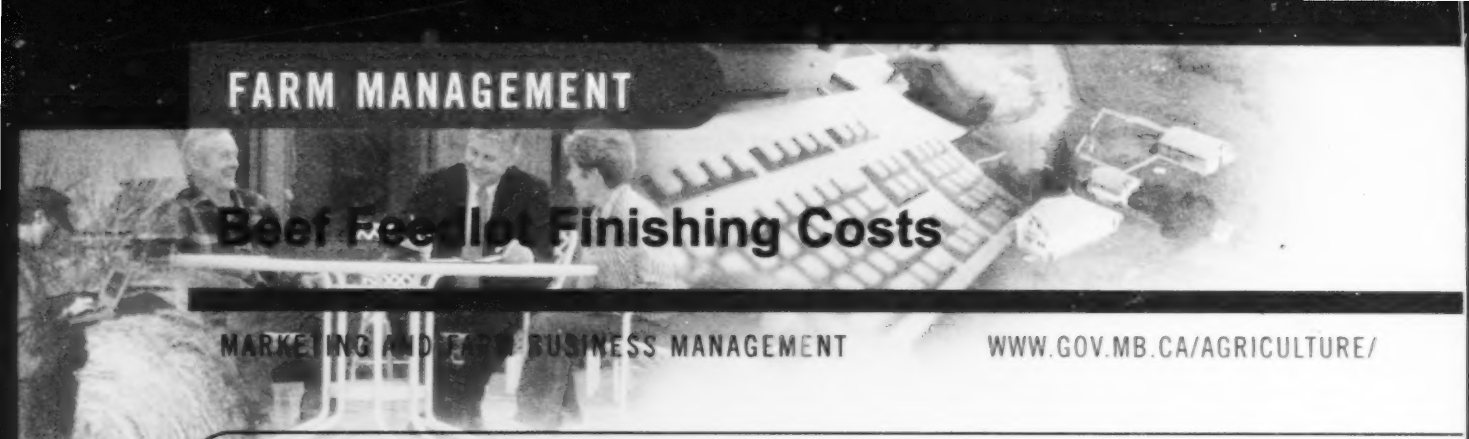

FARM MANAGEMENT

Beef Feedlot Finishing Costs

MARKETING AND FARM BUSINESS MANAGEMENT

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FARM MANAGEMENT

October, 2003

Estimates Based on 500 Head for 650 – 1400 lbs.

Livestock values in this document may be subject to change as the market responds to the BSE situation. However, it is important to base your decisions not only on market information, but also on the cost of production for your particular operation.

This guide is designed to provide you with planning information and a format for calculating costs of production of a cow calf enterprise. The production costs included in this enterprise budget are not intended as a cost study of the beef industry in Manitoba. Adjustments will be necessary when applying these figures to your own enterprise.

The budget estimates are based on a number of assumptions which are clearly defined in the supporting pages. Productivity and performance assumptions are based on data supplied by specialists as well as data collected from certain producers. Input costs are based on recommended practices and/or information obtained from producers. Good management is assumed in that a balanced ration is being fed, livestock are on a herd health program and handling facilities are included.

The guideline can be useful for comparison purposes. Comparison of costs at different levels of production can be made with other farms; the farm over time to track profits or losses; or comparing the plan with the actual production at the end of the planning period.

Disclaimer: This budget is only a guide and is not intended as an in depth study of the cost of production of the Manitoba cattle industry. Interpretation and utilization of this information is the responsibility of the user. If you require assistance with developing your individual budget, please contact your local MAF Farm Management Specialist or Livestock Specialist.

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Feedlot Finishing Cost Summary, September, 2003

	Cost/Head	Total Cost	Your Cost
A. Operating Costs			
1. Feed Costs			
1.01 Rolled Barley	244.74	122,370	
1.02 Barley Silage	44.45	22,225	
1.03 Grass Hay	2.63	1,315	
1.04 Supplement	25.81	12,905	
Total Feed Costs	**$317.63**	**$158,815**	
2. Other Operating Costs			
2.01 Feeder Cost	677.63	338,815	
2.02 Straw	11.00	5,500	
2.03 Veterinary Medicine & Supplies	17.99	8,995	
2.04 Annual Fuel & Repair Costs	7.20	3,600	
2.05 Utilities	5.60	2,800	
2.06 Marketing & Transportation	63.98	31,990	
2.07 Insurance	6.41	3,205	
2.08 Manure Removal	7.00	3,500	
2.09 Barn & Office Supplies	0.40	200	
2.10 Death Loss	8.64	4,321	
Subtotal Operating Costs	1,123.48	561,741	
2.11 Operating Interest	34.30	17,151	
Total Operating Costs	**$1,157.78**	**$578,892**	
B. Fixed Costs			
3. Depreciation			
3.01 Buildings	5.55	2,775	
3.02 Machinery & Equipment	12.00	6,000	
4. Investment			
4.01 Buildings	1.70	850	
4.02 Machinery & Equipment	2.25	1,125	
Total Fixed Costs	**$21.50**	**$10,750**	
Total Operating and Fixed Costs	**$1,179.28**	**$589,642**	
C. Labour	20.00	10,000	
TOTAL COST OF PRODUCTION	**$1,199.28**	**$599,642**	

Cost per lb of gain sold	**$/cwt**	
Feed Costs	$45.83	
Operating Costs	$71.40	
Operating & Fixed Costs	$74.50	
Total Costs	$77.39	
Breakeven Selling Price		
Operating Costs	$87.05	
Operating & Fixed Costs	$88.67	
Total Costs	$90.17	
Breakeven Purchase Price		
Operating Costs	$118.59	
Operating & Fixed Costs	$112.91	
Total Costs	$109.83	

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Assumptions

1. Average daily gain (ADG) was assumed to be 3 lbs/day.
2. It was assumed that the feeder steer weighed in at 650 lbs., and finished at 1400 lbs (1330 lbs after a 5% shrink.)
3. Days on feed was 254. Hay was fed for 15 days.
4. Investment in feedlot facilities and equipment was assumed to handle 500 head.

Feedlot Finishing Production Cost Worksheet

A. Operating Costs

				Your Cost
1. Feed Costs				
1.01 Rolled Barley				
		254	days on grain	
	x	18.5	lbs/feeder/day	
	÷	48	lbs/bushel	
	x	$2.50	/bushel	
	=	**$244.74**	**/feeder**	
1.02 Barley Silage				
		254	days on silage	
	x	12.5	lbs/feeder/day	
	÷	2,000	lbs/ton	
	x	$28.00	/ton	
	=	**$44.45**	**/feeder**	
1.03 Grass Hay				
		15	days on hay	
	x	5.0	lbs/feeder/day	
	÷	2,000	lbs/ton	
	x	$70.00	/ton	
	=	**$2.63**	**/feeder**	
1.04 Supplement (Salt, Vitamins, Minerals, Ionophore)				
		254	days on supplement	
	x	0.8	lbs/feeder/day	
	÷	2,000	lbs/ton	
	x	$254.00	/ton	
	=	**$25.81**	**/feeder**	

2. Other Operating Costs

2.01 Feeder Cattle Cost

Buying Commission

	$6.50	/feeder	

Trucking-in

	$1.25	/cwt	
x	650	lbs/feeder	
÷	100	lbs/cwt	
=	$8.13	/feeder	
	650	lbs/feeder	
x	$102.00	/cwt	
÷	100	lbs/cwt	
=	$663.00	/feeder	
Total =	**$677.63**	**/feeder**	

2.02 Straw

	0.50	tons/feeder/year	
x	$22.00	/ton	
=	**$11.00**	**/feeder**	

2.03 Veterinary Medicine & Supplies

Cattle Medication

	$5.40	IBR,PI3,BVD,BRSV	
+	$0.64	Vitamin A,D & E	
+	$3.80	External & Internal Parasites	
+	$0.63	Blackleg	
+	$3.20	Implant	
+	$3.00	Antibiotics	
=	$16.67	/feeder	

Professional Services

	$135.00	/hour charge	
x	2.50	hours	
÷	500	feeder cattle	
=	$0.68	/feeder	

Transportation Costs

		$1.00	/km charge	
	x	80	kilometres	
	x	4	visits	
	÷	500	feeder cattle	
	=	$0.64	/feeder	
Total	**=**	**$17.99**	**/feeder**	

2.04 Annual Fuel & Repair Costs

	$1,300	repairs	
+	$2,300	fuel costs	
÷	500	feeder cattle	
=	**$7.20**	**/feeder**	

2.05 Utilities

	$2,800	/year	
÷	500	feeder cattle	
=	**$5.60**	**/feeder**	

2.06 Marketing & Transportation

Trucking		700	miles	
	x	$3.00	/loaded mile	
	÷	38	head/load	
	=	$55.26	/feeder	
US Costs	+	$8.72	/feeder	
Total	**=**	**$63.98**	**/feeder**	

2.07 Insurance

		$136,707	building & equipment investment	
	x	$0.50	/$100 capital	
	÷	100	/$100 capital	
	÷	500	feeder cattle	
	=	$1.37	/feeder/year	
		$494,750	feeder investment	
	x	$0.50	/$100 capital	
	÷	100	/$100	
	÷	500	feeder cattle	
	=	$4.95	/feeder/year	

		$45.00	liability premium	
	÷	500	feeder cattle	
	=	$0.09	/feeder/year	
Total	**=**	**$6.41**	**/feeder**	

2.08 Manure Removal

	$3,500	annual removal cost	
÷	500	feeder cattle	
=	**$7.00**	**/feeder**	

2.09 Barn & Office Supplies

	$200.00	total barn expenses	
÷	500	feeder cattle	
=	**$0.40**	**/feeder**	

2.10 Death Loss

	$677.63	feeder cattle cost	
+	$1,050.86	maximum value	
÷	2.0	average value	
x	1.00	% mortality rate	
=	**$8.64**	**/feeder**	

2.11 Operating Interest

	$677.63	feeder cost	
+	$218.61	½ of feed & other costs	
x	5.50	% operating interest	
x	254	days on feed	
÷	365	365 days	
=	**$34.30**	**/feeder**	

Capital Costs

Buildings,Corrals & Water System	
Windbreak fence	$4,900
Pens	$3,027
Handling Facilities	$4,000
Waterers	$4,000
Gates	$1,280
Bunk Feeders	$23,000
Well & Pressure System	$3,500
Grain Bin	$3,000
Landscaping	$15,000
Total	**$61,707**
Machinery & Equipment	
Tractor & Loader	$50,000
Miscellaneous	$25,000
Total	**$75,000**
Total Investment	**$136,707**

B. Fixed Costs

3. Depreciation $\frac{\text{Original Cost - Salvage Value}}{\text{Useful Life}}$

3.01 Buildings

	$61,707	original cost
-	$6,171	salvage value
÷	20	years useful life
÷	500	feeder cattle
÷	1.0	turns/year
=	**$5.55**	**/feeder**

3.02 Machinery & Equipment

	$75,000	original cost
-	$15,000	salvage value
÷	10	years useful life
÷	500	feeder cattle
÷	1.0	turns/year
=	**$12.00**	**/feeder**

4. Investment $\frac{\text{Original Cost + Salvage Value}}{2}$ **x Investment Rate**

4.01 Buildings

	$61,707	original cost	_____
+	$6,171	salvage value	_____
÷	2	average	_____
x	2.5	% investment rate	_____
÷	500	feeder cattle	_____
÷	1.0	turns/year	_____
=	**$1.70**	**/feeder**	_____

4.02 Machinery & Equipment

	$75,000	original cost	_____
+	$15,000	salvage value	_____
÷	2	average	_____
x	2.5	% investment rate	_____
÷	500	feeder cattle	_____
÷	1.0	turns/year	_____
=	**$2.25**	**/feeder**	_____

C. Labour

	2.0	hours/feeder/year	_____
x	$10.00	/hour	_____
=	**$20.00**	**/feeder**	_____

Breakeven Calculations

				Your Farm
Cost per lb of gain sold				
Feed Costs		$317.63	feed cost	
	+	693	weight gain	
	=	**$0.46**	**/lb**	
Operating Costs		$1,157.78	operating costs	
	-	$663.00	feeder cost	
	+	693	weight gain	
	=	**$0.71**	**/lb**	
Total Operating & Fixed		$1,179.28	operating & fixed	
	-	$663.00	feeder cost	
	+	693	weight gain	
	=	**$0.74**	**/lb**	
Total Costs		$1,199.28	total	
	-	$663.00	feeder cost	
	+	693	weight gain	
	=	**$0.77**	**/lb**	
Breakeven selling price				
Operating Costs		$1,157.78	operating costs	
	+	1,330	lbs shrunk weight	
	=	**$0.87**	**/lb**	
Operating & Fixed		$1,179.28	operating & fixedcosts	
	+	1,330	lbs shrunk weight	
	=	**$0.89**	**/lb**	
Total Costs		$1,199.28	total costs	
	+	1,330	lbs shrunk weight	
	=	**$0.90**	**/lb**	
Breakeven purchase price				
Operating Costs		1,330	lbs shrunk weight	
	x	$94.00	$/cwt selling price	
	=	$1,250.20	income	
	-	$494.78	operating less feeder cost	
	±	637	lbs purchase net weight	
	=	**$1.19**	**/lb**	

Operating & Fixed	1,330	lbs shrunk weight	
	x $94.00	$/cwt selling price	
	= $1,250.20	income	
	- $516.28	op & fixed less feeder cost	
	÷ 650	lbs purchase weight	
	= $1.13	**/lb**	
Total Costs	1,330	lbs shrunk weight	
	x $94.00	$/cwt selling price	
	= $1,250.20	income	
	- $536.28	total less feeder cost	
	÷ 650	lbs purchase weight	
	= $1.10	**/lb**	

For more information contact your Manitoba Agriculture and Food Office.

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Beef Finishing Feedlot 500 Head